Securities and Exchange Commission
Washington, D.C. 20549

Form 10-QSB

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended November 30, 2000

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT**

For the transition period from ____________________ to ____________________

Commission file number 0-24819

AMERICAN ENERGY SERVICES, INC.

Texas	**76-0279288**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

7224 Lawndale, Houston, TX 77012
(Address of principal executive offices)

713-928-5311
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

As of November 30, 2000, there were 9,335,342 shares of Common Stock outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. ***Financial Statements***

AMERICAN ENERGY SERVICES, INC.

BALANCE SHEETS

(Unaudited)

ASSETS

	November 30, 2000	February 29, 2000
Current Assets:		
Cash and cash equivalents	$ 16,526	$ 75,778
Certificates of deposit	6,130	
Accounts receivable — trade, net of $22,604 and $0 reserves	128,400	662,132
Accounts receivable — other	31,274	41,176
Income tax receivable	124,000	124,000
Prepaid Expenses	435,718	17,370
Costs in excess of billings on uncompleted contracts	1,489,562	1,491,996
Inventories	1,899,679	1,901,855
Total Current Assets	4,131,290	4,314,307
Property, Plant and Equipment:		
Machinery and equipment	1,360,722	1,307,682
Furniture and fixtures	331,490	327,541
Vehicles	83,423	83,423
Buildings and Improvements	226,510	226,970
Land	76,894	76,894
	2,079,037	2,022,510
Less: Accumulated depreciation	(980,181)	(881,181)
	1,098,857	1,141,329
Trademarks, patents, and drawings	1,455,462	1,275,462
Less: Accumulated amortization	(480,164)	(378,545)
	975,297	896,917
Deferred tax asset	775,260	150,110
Other assets	204,542	193,819
Total Assets	$7,185,245	$6,696,482

The accompanying notes are an integral part of these financial statements.

AMERICAN ENERGY SERVICES, INC.

BALANCE SHEETS (Continued)

(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	November 30, 2000	February 29, 2000
Current Liabilities:		
Notes Payable	$2,698,819	$2,962,008
Current portion of long-term obligations	1,210,227	1,382,347
Current portion of capital leases	165,328	120,175
Accounts payable	609,375	1,400,993
Accrued expenses	461,709	448,421
Billings in excess of costs on uncompleted contracts	577,925	46,991
Advances from officers	26,300	32,500
Total Current Liabilities	5,749,683	6,393,435
Long-term obligation, net of current portion		
Capital leases, net of current portion		
Total Liabilities	5,749,683	6,393,435
Stockholders' Equity:		
Common stock, $0 par value, 100,000,000 shares authorized, 9,335,342 shares issued and outstanding	6,949	6,949
Capital in excess of par value	2,365,725	989,634
Comprehensive Income (Loss)	97,843	
Retained earnings	(1,034,954)	(693,536)
Total Stockholders' Equity	1,435,563	303,047
Total Liabilities and Stockholders' Equity	$7,185,245	$6,696,482

The accompanying notes are an integral part of these financial statements.

AMERICAN ENERGY SERVICES, INC.
STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2000	1999	2000	1999
Net Sales	$1,350,862	$1,794,175	4,655,243	5,239,602
Cost of sales	1,233,583	1,384,251	3,594,433	3,869,660
Gross profit	117,279	409,924	1,060,810	1,369,942
Operating expenses	174,133	396,894	919,208	1,030,550
Income (loss) from operations	(56,854)	13,030	141,602	339,392
Other expenses (income):				
Interest, net	(89,699)	134,686	10,877	407,162
Other, net	(3,508)	5,283	(9,051)	1,328
	(93,207)	139,969	1,826	408,490
Net income (loss) before taxes	36,353	(126,939)	139,776	(69,098)
Income tax (expense) benefit	(10,906)	4,781	(41,933)	0
Net income (loss)	$ 25,447	$ (122,158)	97,843	(69,098)
Basic earnings (loss) per common share	$ 0.00	$ (0.02)	0.01	(0.01)
Diluted earnings (loss) per common share	$ 0.00	$ (0.02)	0.01	(0.01)
Average shares outstanding	7,437,583	6,528,636	7,437,583	6,764,034
Average diluted shares outstanding	7,437,583	7,010,602	7,437,583	7,324,593
Net income (loss)	$ 25,447	$ (122,158)	97,843	(69,098)
Other comprehensive income (loss)	—	—	—	—
Comprehensive income (loss)	$ 25,447	$ (122,158)	97,843	(69,098)

The accompanying notes are an integral part of these financial statements.

AMERICAN ENERGY SERVICES, INC.
STATEMENT OF CASH FLOWS
(Unaudited)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2000	1999	2000	1999
Cash Flows from Operating Activities:				
Net income (loss)	$ 25,447	$ (11,158)	$ 97,843	$ 41,902
Adjustments to reconcile net income (loss) to cash provided (used) by operating activities:				
Depreciation and amortization	112,038	55,723	200,619	150,891
Changes in operating assets and liabilities:				
Decrease in receivables	137,748	323,470	561,006	69,839
Decrease in inventories	2,176	5,390	2,176	(517,103)
(Increase) in costs in excess of billings on uncompleted contracts	872,535	(294,510)	2,434	(135,273)
(Decrease) increase in accounts payable and accrued expenses	(410,027)	(492,045)	(778,330)	(1,708,381)
Decrease in deferred tax asset	(625,150)		(625,150)	
(Increase) in prepaids and other	(418,349)		(418,349)	
Increase in billings in excess of cost on uncompleted contracts	531,000	207,626	530,934	899,773
Increase (decrease) in other assets/liabilities, net	(6,200)	(292,252)	(40,823)	(225,907)
Net Cash Provided (Used) by Operating Activities	221,218	(497,756)	(467,640)	(1,424,259)
Cash Flows from Investing Activities:				
Retirement (purchase) of property, plant and equipment	(600)	24,669	(56,528)	3,853
Retirement (purchase) of trademarks, patents and drawings	(60,000)	116,830	(180,000)	58,688
Redemption (purchase) of certificates of deposit	—		(6,130)	
Net Cash Provided (Used) in Investing Activities	(60,600)	141,499	(242,658)	62,541
Cash Flows from Financing Activities:				
Capital contributions in excess of par	503,810	0	1,376,091	753,000
Net increase (payments) on lines of credit		37,753		191,302
Net (payments) on long-term obligations	(308,398)	(13,546)	(390,155)	(11,947)
Net Cash (Used) Provided by Financing Activities	195,412	24,207	985,936	932,355
Prior year adjustment to retained earnings	(343,371)		(341,419)	
Net (decrease) in cash and cash equivalents	12,659	(332,050)	(65,781)	(429,363)
Cash and cash equivalents at beginning of period	9,997	256,197	75,778	353,510
Cash and cash equivalents at end of period	$ 22,656	$ (75,853)	$ 9,997	$ (75,853)

The accompanying notes are an integral part of these financial statements.

AMERICAN ENERGY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 1 — General

The foregoing financial statements have been prepared from the books and records of American Energy Services, Inc. (''AES'' or the ''Company'') without audit. In the opinion of management all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of results for the interim periods presented, are reflected in the financial statements.

These statements should be read in conjunction with the financial statements and related notes included in the Company's Annual Report of Form 10-KSB for the fiscal year ended February 29, 2000 as well as the Quarterly Report on Form 10-QSB for the fiscal quarter ended August 31, 2000.

NOTE 2 — Revenue Recognition

Revenues are recorded when flow control valves sold are shipped or when title passes. Title passes from seller to buyer when the goods are shipped.

In most instances, sales involve a system of valves for a single installation and require long-term contracts. When jobs on a long-term contract progress to a point where final results can be estimated with reasonable accuracy, the percentage-of-completion method is utilized. Percentages are derived by comparing costs incurred with the estimated total costs and calculated percentages are used to allocate anticipated total revenue and cost. If any losses on a contract-in-progress become apparent, that loss is charged against the job in the period it was recognized.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Forward-Looking Statements

This material contains ''forward-looking'' statements as defined in the Securities and Exchange Acts of 1933 and 1934 that could involve substantial risk and uncertainties. When expressions include words such as ''anticipate'', ''believe'', ''estimate'', ''intend'', ''expect'', ''plan'', and when similar expressions are used, they are intended to identify the statements as forward-looking. American Energy Services, Inc. (''AES'' or the ''Company'') relies on a variety of internal and external information to develop such statements. Due to the inherent risks and limitations in that development process and the relatively volatile nature of the industry in which the Company operates, actual results, performance and achievements may differ materially from results suggested by these forward-looking statements.

Results of Operations

Three Months Ended November 30, 2000 versus Three Months Ended November 30, 1999

Revenues for the three months ended November 30, 2000 were $1,350,862 compared to $1,794,175 for the same period in 1999. This decrease is in part attributed to AES pursuit of certain international projects not awarded during this quarter.

While cost of sales was down 11% or $150,668, the gross profit for the fiscal quarter ended November 30, 2000 was down as well at 29% below the three-month period ended November 30, 1999.

Operating expenses decreased significantly to $174,133 for three months ended November 30, 2000 as compared with $396,894 operating expenses for the prior year period. This decrease can be attributed to a very aggressive effort by management to reduce operating cost.

Interest and other expenses for the three months ended November 30, 2000 decreased $134,686 compared to the same period of last year. This decrease in interest expense is related to AES ongoing efforts to negotiate more favorable terms on AES debt.

Net income before taxes for the three months ended November 30, 2000 increased to $36,353 as compared to $(126,939) in pretax income for the previous year's three month period. This increase in net income can be directly attributed to overhead cost reductions initiated by management during this quarter.

Nine Months Ended November 30, 2000 versus Nine Months Ended November 30, 1999

Revenues for the nine months ended November 30, 2000 were $4,655,243 or $584,359 down from the same period of last year. The decrease in current year revenues can be attributed to managements requirement of secure pay terms as a part of AES order acceptance.

Cost of sales for the nine months period ended November 30, 2000 was down $275,227 as would be expected with lower prior year revenues. Further, gross profit dollars were down 23% compared to the same period of last year.

Operating expenses were down $113,342 in the nine months ended November 30, 2000 compared to the nine months ended November 30, 1999. This decrease can be attributed to a very aggressive effort by management to reduce operating cost.

Interest and other expenses for the nine months of the current fiscal year decreased $396,285 compared to the same period of last year. This is primarily due to renegotiations with debtors.

Liquidity and Capital Resources

The primary sources of the Company's liquidity for the nine months ended November 30, 2000 included cash available at the beginning of the year and more significantly capital contributed by the investing public. These funds were primarily used for the reduction of accounts payable, as well as prepayments with several of AES vendors.

During the nine months ended November 30, 2000, the working capital deficit improved to $1,618,393 when compared to the deficit at February 29, 2000 of $2,079,128. In the past, short-term cash flows have been inadequate in the past to overcome the working capital deficit. However, AES management's continuing efforts to raise capital have benefited the Company's working capital position, as well as its ability to move forward with an aggressive five year strategic plan. Management is continually striving to improve its working capital position as well as grow the Company through a variety of alternatives. These alternatives may include, but are not limited to, debt restructuring, debt and equity offerings, cash flow reengineering, joint ventures, mergers and acquisitions. Because of the aggressive pursuit of such alternatives, the Company anticipates imminent improvement in its financial position. However, there is no guarantee that such improvements will occur, nor that such capital will be available when it is required or on terms that are acceptable to the Company.

A deferred tax asset of $775,260 was recognized by the company. It is management's position that the company will be able to realize this asset in the future.

There were no capital expenditures during the three months ended November 30, 2000. Only upon a continued and significant improvement in the Company's financial position, will capital expenditures be considered, and then only after diligent consideration and within stringent guidelines.

The decrease in retained earnings is due primarily to negative revenue adjustments, which were a result of modifications to certain contracts previously awarded to AES.

Year 2000

The year 2000 (''Y2K'') issue is the inability of computer systems to recognize the change in year from 1999 to 2000. The issue affects both information technology (''IT'') and non-IT systems. Because non-IT systems are typically embedded technology, these are more difficult to assess than IT systems and often require replacement rather than repair.

AES has recognized the significant uncertainty associated with the Y2K issue and has tested its products for compliance. It is the Company's belief that substantially all necessary modifications have been made to its products.

However, the Company is still in the process of reviewing its internal computer systems. An outside vendor has assessed the Company's internal hardware and most of its software with regard to Y2K compliance. No ''mission critical'' systems have required significant modification or replacement, other than the management information system discussed below.

The Company recently contracted with Global Solutions (''InFiSy'') for installation and implementation of a new management information system. The new system will replace an obsolete legacy system. The decision during 1998 to replace the existing system was influenced by the costs associated with making the obsolete system Y2K compliant. However, the decision was made primarily due to the need for a fully integrated MRP II (Material Resource Planning) system, the efficiencies to be gained, and the reasonable, very favorable terms under which InFiSy will be acquired. The cost of the InFiSy system, which will be amortized over its expected useful life is approximately $50,000, exclusive of some possible internal costs of installation.

AES is also in the process of identifying and communicating with its suppliers and vendors where failure by such third parties to achieve Y2K compliance could have a material impact on the Company. For those suppliers or vendors who may pose a material risk, contingency plans are in development.

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

The Company is subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not have a materially adverse affect on the Company's results of operations or financial position.

Item 5. ***Exhibits and Reports on Form 8-K***

a) Exhibits

27 — Financial Data Schedule

b) Reports of Form 8-K

None